

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

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| BCS SERVICES, INC., et al. |) | |
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| Plaintiffs, |) | No. 07 C 1367 |
| |) | Consolidated with No. 05 C 4095 |
| v. |) | |
| |) | Chief Judge James Holderman |
| HEARTWOOD 88, INC., et al., |) | |
| |) | Magistrate Judge Maria Valdez |
| Defendants. |) | |

THE G3 DEFENDANTS' MEDIATION POSITION PAPER

Gregory Wilson and Donald Grant Wilson (the "Wilsons") and G3 Holdings LLC ("G3") (the Wilsons and G3 collectively the "G3 Defendants"), present this Mediation Position Paper.

1. G3 is a Texas limited liability company formed in 2004 by the Wilsons and Greg Stec ("Stec"). It was formed to become the origin for a hedge fund specializing in the acquisition of financial instruments. G3 was not created for the purpose of acquiring tax liens. Stec had learned of the Cook County Treasurer tax lien sales through his prior involvement in the purchase of a single tax lien, and as a result, the G3 Defendants were initially introduced by Stec to the Cook County methodology of selling tax liens.

2. The Wilsons are residents of Paris, Texas and McKinney, Texas, respectively.

3. When a determination was made by the G3 Defendants and Stec to go forward with bidding at a Cook County Treasurer tax liens sale, all funding with regard to G3's participation in the tax liens sale was acquired from a local bank in Paris, Texas. All bids that were made on behalf of G3 at the 2004 Cook County tax sale were made by Stec, without any assistance from any other Defendant.

4. From inception, the attraction of purchasing the tax liens revolved upon their liquidity. Prior to G3's participation in the 2004 tax sale, the G3 Defendants and Stec attempted to prepare financial modeling which would give them a reasonable understanding of the cash flow requirements of holding the tax liens over a period of time. The size and scale of the financial modeling project eventually prevented this from occurring, which caused the G3 Defendants to rely further on the liquidity of the tax liens. However, it was the plan of the G3 Defendants and Stec that they would hold their own portfolio of tax liens and retain a third party to manage the portfolio. In that regard, G3 approached an individual named Jimmy Bowers and requested that he undertake the management of the G3 portfolio. However, Mr. Bowers indicated he was not available and referred G3 to the CMS Defendants. G3 had preliminary discussions with CMS regarding the management of G3's portfolio, and in connection therewith, G3 was provided with a draft of a CMS Service Agreement which identified Stec as a signing party and which, to the G3 Defendants' knowledge, was never signed. Moreover, the G3 Defendants would never have considered signing the CMS Service Agreement, because it provided the "sole right and obligation" over the managed portfolio to CMS.

5. The G3 Defendants participated only in the 2004 tax sale; never before nor since.

6. In Plaintiffs' Mediation Position Paper, they have made general allegations of evidence which they assert leads to the conclusion that conspiracies existed to include the alleged "Salta Enterprise" and the "Gray's Enterprise." The evidence is generally that said "Enterprises":

- A. Were based upon familial relationships;
- B. Shared offices;
- C. Shared expenses;
- D. Shared personnel;

- E. Had joint bank accounts;
- F. Made loans to and from each other for the acquisition of tax liens;
- G. Shared research; and/or
- H. Shared computer access.

7. There is no evidence that the G3 Defendants or Stec fell into any of the aforementioned general allegations of conspiracy.

8. With regard to the alleged "Sabre Enterprise," which Plaintiffs allege the G3 Defendants to be a part, Plaintiffs generally allege:

- A. That the CMS Defendants prepared bidding lists;
- B. That all of the co-conspirers were involved in the quick resale of tax liens to Sabre;
- C. That the Sabre enterprise conspirators had prior relationships with John Bridge or Barrett Rochman;
- D. That the entities involved [such as G3] were created solely for the tax lien sales;
- E. That representations were made by the Sabre Enterprise conspirators to lenders that the liens would be quickly resold; and
- F. That the Sabre Enterprise conspirators provided collateral for loans to obtain tax certificates.

9. The only one of the foregoing alleged conspiratorial acts which could conceivably apply to the G3 Defendants and Stec involves the fact that CMS did supply bidding lists to Stec prior to his participation in the 2004 tax sale. However, there is no evidence at this point that these bidding lists were anything other than a listing of the tax liens which were going to be

offered for sale on any given date, and the use of the term “bid book” or “bid list” erroneously implies that the list was something of value, rather than a mere “loss leader” routinely provided to a number of people, at no charge. In reality, the apparent universal bidding strategy employed at the tax lien sales was to bid 0% on everything, to obtain as many liens as possible. The consequent diversification alleviated any real risk which might be addressed through the use of a meaningful reference source.

10. The sum total of all evidence which Plaintiffs have presented to this Court in their Position Paper with regard to the alleged conspiratorial actions of the G3 Defendants and Stec are two unsigned, draft contracts which were provided to Stec for review with regard to services which could be provided by CMS to respective bidders at the tax sales and the possible resale of the certificates.

11. The evidence further shows that although G3 sold its tax liens to the Sabre Group and retained a 25% interest in any profit which might be realized by the Sabre Group pursuant to the tax liens, the sale transaction was *not* prearranged in any respect prior to the Cook County Treasurer’s tax liens sale. Consequently, the G3 Defendants were not influenced by any factor other than the fact that the Sabre Group’s purchase offer appeared, at the time, to be a viable means to free up the capital necessary to participate in future tax lien sales in other states, while retaining a 25% backend profits interest in the tax lien portfolio.¹ However, G3 ultimately made no profit from their participation in the 2004 tax sale, and in fact, the G3 Defendants lost money as a result of this transaction.

¹ G3’s decision to sell its portfolio of tax liens in June 2004 was based entirely upon the prospect of having to attend an imminent board meeting by its lender in order to request an additional significant loan to fund the purchase of tax liens in other states.

12. Finally, Plaintiffs have no evidence of:

- Any purported agreement between the G3 Defendants and Sabre;
- Whether any such agreement was oral or in writing;
- Who allegedly entered into this agreement;
- Which terms of the alleged agreement violate the applicable rules;
- The identity of even one specific lien that Plaintiffs actually lost to G3 because of

alleged simultaneous bidding;

- How the “allocation system” to allegedly distribute liens among bidders who bid 0% simultaneously on a particular lien can provide Plaintiffs a basis for damages; and
- How the Wilsons had any involvement in any alleged simultaneous bidding.

As a result, the G3 Defendants do not believe that they have any liability to Plaintiffs.

Dated: November 12, 2009

Respectfully submitted,

G3 HOLDINGS, L.L.C., GREGORY WILSON,
And DONALD GRANT WILSON

By: /s/ E. Bryan Dunigan
One of their attorneys

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Certificate of Service

I hereby certify that on the 12th day of November, 2009, a copy of the foregoing G3 Defendants' Mediation Position Paper was served by email upon the individuals listed on the Service List.

/s/ E. Bryan Dunigan _____

SERVICE LIST

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